

INCOMING TELEGRAM

Department of State

CONFIDENTIAL

Classification

Control: 15538

Rec'd: NOVEMBER 27, 1958
6:46 PM

AUM

GB

VK

FR

GB

EEE

SR

Action

E

Info

SS

W

SP

R

P

ICP

E

SD

C/C

GB

FROM: BERLIN

TO: Secretary of State

NO: 415, NOVEMBER 27, 9 PM

PRIORITY

SENT BONN 366, DEPARTMENT 415, REPEATED INFORMATION PARIS 76,
MOSCOW 128, LONDON 63, POLAD USAREUR 139

PARIS ALSO PASS USCINCEUR THURSTON AND WEST

MISSION UNABLE AS YET DETERMINE IMMEDIATE EFFECT SECRETARY'S
STATEMENT OR SOVIET NOTE ON BERLIN ECONOMIC INDICATORS.
THE OPINION OF BANKERS AND STOCK EXCHANGE OFFICIALS IS THAT
IT IS STILL TOO EARLY FOR DECISIVE REACTIONS IN MONEY MARKET
EITHER TO STATEMENT OR SOVIET DECLARATION.REACTIONS OF BUSINESSMEN AND CITY OFFICIALS DEALING WITH ECONOMIC
PROBLEMS DISTINCTLY ADVERSE TO STATEMENT AND FEARFUL OF INTENTION
BEHIND SOVIET PROPOSED SOLUTION BERLIN PROBLEM.ECONOMICS SENATOR HERTZ PARTICULARLY BITTER. HERTZ HAD NOT
RPT NOT SEEN TEXT SECRETARY'S REMARKS BUT STATED HE AND
MAYOR BRANDT BELIEVED SECRETARY HAD GIVEN IMPRESSION OF
APPEASEMENT WHICH WOULD IMPAIR WEST BERLIN CONFIDENCE. SAID
WEST BERLINERS MIGHT UNDERSTAND US AGREEMENT DEAL GDR
FUNCTIONARIES AS SOVIET AGENT AFTER LONG NEGOTIATIONS IN WHICH
CONDITIONS AND UNDERTAKINGS BOTH SIDES CAREFULLY SPELLED OUT
BUT US HAD GIVEN WAY EVEN BEFORE KNOWING WHAT SOVIETS WOULD
PROPOSE.HERTZ SADLY REMARKED HE HAD ALWAYS DEFENDED US IN
BERLIN BECAUSE US STOOD FOR PRINCIPLE BUT NOW HE MUST ADMIT US
TAKING APPEASEMENT AS EASY WAY OUT.

State Department review completed

UP TO NOW

CONFIDENTIAL

Classification

REPRODUCTION FROM THIS
COPY IS PROHIBITED
UNLESS "UNCLASSIFIED"

CONFIDENTIAL

-2- 415, NOVEMBER 27, 9 PM, FROM BERLIN

UP TO NOW ACCORDING HERTZ WEST BERLINERS ANXIOUS BUT BASICALLY SECURE, SINCE KHRUSCHEV STATEMENT NOT RPT NOT MORE THAN 2 MILLION WITHDRAWN SPARKASSE OUT OF MORE THAN 600 MILLION DEPOSITS. SPARKASSE ALLOWING UNLIMITED WITHDRAWALS ALTHOUGH LAW PERMITS LIMITING WITHDRAWALS EACH ACCOUNT TO DM 1000 PER MONTH. SIEMENS (LARGE ELECTRICAL MANUFACTURER) INFORMED HERTZ WEDNESDAY INTENDED INVEST DM 36 MILLION IN EXPANSION MANUFACTURING FACILITIES BERLIN 1959 AND 1960. CITY OF BERLIN WITH AMERICAN HELP HAD LABORED FOR NINE YEARS TO BUILD UP THIS KIND OF CONFIDENCE, THAT WEST BERLIN WAS AS SAFE AS WEST GERMANY FOR MONEY AND INVESTMENTS.

HERTZ BELIEVED EFFECT STATEMENT ON MORALE WEST BERLIN WOULD BE MIXED UP WITH REACTIONS TO SOVIET DECLARATION WHICH HAD DECEPTIVE APPEARANCE BEING MILD AND CONCILIATORY. NET EFFECT WOULD BE DEFEAT FOR WEST. HERTZ QUOTED BRANDT NO ONE SHOULD BE DECEIVED BY SOVIET PROMISE TO MAKE BERLIN FREE CITY. FREEDOM BERLIN DEPENDENT ON PRESENCE US FORCES AND SECRETARY'S STATEMENT WOULD ENLARGE DOUBT THEY WOULD STAY.

ERNST ERB MANAGER OF THE LONG DISTANCE TRUCKERS' ASSOCIATION STATED THAT HIS INITIAL REACTION TO SECRETARY'S STATEMENT WAS "IT'S IMPOSSIBLE". ON SECOND THOUGHT, FELT MUST HAVE BEEN MISQUOTATION, BUT WEST BERLIN PAPER ALL INDICATED DECIDED WEAKENING US POSITION. HE SAID THAT ALTHOUGH CONTROLS BY GDR OFFICIALS, WITH WHOM TRUCKERS HAVE HAD TO DEAL FOR YEARS, WERE PRESENTLY NOT RPT NOT UNBEARABLE, AND NEW IZT RPT IZT AGREEMENT WAS HOPEFUL SHORT-TERM SIGN, FREE BERLIN'S CONTINUED EXISTENCE DEPENDED ULTIMATELY ON US ABILITY TO HOLD SOVS RESPONSIBLE FOR GDR ACTIONS.

HEAD OF BERLIN BRANCH AMERICAN CHAMBER OF COMMERCE IN GERMANY EXPRESSED HOPE US WOULD REACT STRONGLY SOVIET PROPOSALS, GOING SOVIETS ONE BETTER. BELIEVED CONJUNCTION OF SECRETARY'S STATEMENT WITH MILD AND CONCILIATORY NATURE SOVIET DECLARATION CALLED FOR IMMEDIATE POSITIVE COUNTER PROPOSALS SOLUTION BERLIN PROBLEM WHICH WHILE PROBABLY UNACCEPTABLE TO SOVIETS WOULD REAFFIRM WESTERN DETERMINATION DEFEND WEST BERLIN AND ACCESS THERETO

GUFLER

CONFIDENTIAL